

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Table of Contents

Overview.....	2
Group Life.....	2
Optional Life.....	2
Premium Updates.....	3
Audit Reports.....	3
Salary Base and Rates.....	3
Deduction Processing.....	3
Establishing Group Life Deductions.....	3
Establishing Optional Group Life Deductions.....	4
H0ZDC.....	4
Optional Group Life Premium Calculation.....	5
Deduction Overrides.....	6
Introduction.....	7
Tax Implications.....	7
CIPPS Automatic Processing.....	7
Imputed Life Calculation.....	8
Imputed Life Entry in CIPPS.....	8
Incorrect Imputed Life.....	9
YTD Adjustments.....	10
Calculations to Correct Erroneous Imputed Life Amounts.....	10
HTPSA.....	11
503 Line.....	11
500 Line.....	12
600 Line.....	12
Termination Guidelines.....	12
Terminating Employee Deductions.....	12
VRS Group Life Reconciliation.....	13
Group Life VRS Reconciliation.....	13
VRS Monthly Reconciliation Process.....	14
Internal Control.....	15
Internal Control.....	15
Records Retention.....	15
Time Period.....	15
Contacts.....	15
DOA Contact.....	15
Subject Cross References.....	15
References.....	15

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Overview

Group Life Full and part-time classified salaried employees and faculty are covered by the Group Life Insurance plan administered by the Virginia Retirement System (VRS). Coverage is based on annual salary rounded up to the next \$1,000 and doubled for natural death, and double that amount for accidental death. Agencies are charged for the cost of group life coverage during payroll processing based on a rate established by law.

Optional Life Employees covered by group life may purchase additional life insurance coverage for themselves, their spouse or children through the Optional Life Insurance Plan administered by VRS. Four coverage options are available:

Option	Employee Coverage	Spouse Coverage	Children Coverage and Applicable Flat Monthly Rate	
1	1 x Salary	.5 x Salary	\$5,000	\$1.00
2	2 x Salary	1 x Salary	\$5,000	\$1.00
3	3 x Salary	1.5 x Salary	\$10,000	\$2.00
4	4 x Salary	2 x Salary	\$15,000	\$3.00

Employees pay for additional optional life coverage through payroll deduction. As shown above, flat monthly premiums apply for children's coverage based on the option selected, regardless of the number of children. The OGL premium for the employee (and spouse) is determined for the entire calendar year based upon the age of the member (and spouse) at the first of each calendar year and the rates in the following table:

Employee Age	Monthly Optional Life Rate per \$1,000 of Coverage
<i>29 and Under</i>	<i>\$.06</i>
<i>30-34</i>	<i>.08</i>
<i>35-39</i>	<i>.09</i>
<i>40-44</i>	<i>.11</i>
<i>45-49</i>	<i>.17</i>
<i>50-54</i>	<i>.34</i>
<i>55-59</i>	<i>.59</i>
<i>60-64</i>	<i>1.10</i>
<i>65-69</i>	<i>1.95</i>
<i>70-74</i>	<i>3.53</i>
<i>75 and over</i>	<i>3.76</i>

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Overview, Continued

Premium Updates

Effective April 2002, optional life premiums will not change for salary increases, decreases, or birthdays that occur during the year. Each year Minnesota Life will provide DOA with a file of calculated premium rates. DOA will use this file to create transactions to automatically update participant optional group life deduction amounts (deduction #35). Manual calculations and updates are only required for new deductions and changes to coverage options during the year.

Audit Reports

The following reports are produced as a result of the annual premium update:

Report	Description
U024 – Optional Group Life Premium Listing	Lists the employee's social security number, name, total premium, member birth date, coverage code, coverage amount, spouse birth date, coverage code, coverage amount, and premium
U025 – Optional Group Life Error Report	Lists any record supplied by Minnesota Life that does not have a corresponding record in CIPPS or that has a terminated record. Beside the name and social security number will either be a message 'no matching employee master file record found' or 'Employee terminated.' These items should be researched accordingly.

Salary Base and Rates

Premium rates for all insurance coverage are applied to the full salary amount including any permanent shift or pay area differentials. Premium rates also apply to workers' compensation and VSDP payments made by agencies (see CAPP Topics 50520 and 50525).

Deduction Processing

Establishing Group Life Deductions

Deduction 020, GRPINSR, is automatically established on H0ZDC when the appropriate retirement code is entered on HMCU1. No other entry is required. See CAPP Topic 50410, *Retirement – VRS and ORP*, for additional information on retirement codes.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Deduction Processing, Continued

Establishing Optional Group Life Deductions For new enrollments, deduction 035, OPT LIFE, must be established on H0ZDC. Complete the command line and sub-command line as referenced in CAPP Topic No. 50110, *CIPPS Navigation*.

The screenshot displays the 'Sna - EXTRA! Personal Client' window. The command line shows 'C 230,1111111700,069 ON H0ZDC'. The main screen is titled '-----EMPLOYEE DEDUCTIONS-----' and shows details for COMPANY 00230, EMPLOYEE NUMBER 1111111700, and NAME GAIL GOLF. A table lists deductions with columns: NO, NAME, CALC, GN, FR, PRTY, AMT/PCT, START DATE, END DATE, GOAL, UTILITY, DED MTD, and DED YTD. The table includes entries for 'DOCKING' (deduction 69) and 'OPT LIFE' (deduction 35). At the bottom, it says 'A205H-END OF LIST' and '09/10/04 10:32:53 1 M3LL CIDL'. The status bar at the bottom indicates 'SNA Server: Connected T1' and '15/19'.

H0ZDC

DEDUCTION NO. Enter '035' in the deduction number field.

NAME Tab past the **NAME**. This information is displayed when the screen is complete.

AMT/PCT Enter a dollar amount to calculate the amount withheld.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Deduction Processing, Continued

GOAL	No goal amount is needed.
UTILITY	This field is not used in the calculation of Optional Group Life.
Calc	Tab past the CALC . This information is displayed when the screen is complete.
GN	Tab past the GN . This information is displayed when the screen is complete.
FR (Frequency)	Enter any valid value, usually 09 .
PRTY	Not used at this time.
START DATE	Do not enter.
END DATE	Do not enter.
DED MTD	Total month-to-date withholding for this deduction.
DED YTD	Total year-to-date withholding for this deduction.

Optional Group Life Premium Calculation The optional life premium entered on H0ZDC must be calculated manually. In the example that follows the employee is age 56 and spouse age 50, as of the first of the calendar year, annual salary is \$25,023 paid semi-monthly, option 2 of optional life is selected, with 2 children:

Note: Separate calculations for the employee and the spouse must be performed to determine the Optional Group Life premiums due.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Deduction Processing, Continued

Step	Action	Example
1	Round: annual up to the next \$1,000	\$26,000
2	Multiply: rounded annual salary by the selected coverage option for the employee	$\$26,000 \times 2 = \$52,000$
3	Multiply: rounded annual salary by the spouse coverage rate for option selected	$\$26,000 \times 1.0 = 26,000$
4	Divide: the result in Step 2 by 1000, the cost per thousand for employee coverage	$\$52,000 \div 1000 = 52$
5	Divide: the result in Step 3 by 1000, the cost per thousand for spouse coverage	$\$26,000 \div 1000 = 26$
6	Multiply: Step 4 results by optional life rate for the employee's age as of the first of the year	$52 \times \$0.59 = \30.68
7	Multiply: Step 5 result by optional life rate for the spouse's age as of the first of the year	$26 \times \$0.34 = \8.84
8	Add: cost for children coverage	\$1.00
9	Combine: employee/spouse and children premiums for total monthly premium	$\$30.68 + \$8.84 + \$1.00 = \40.52
10	Multiply: Step 9 result by 12 for annual premium	$\$40.52 \times 12 = \486.24
11	Divide: Step 10 result by number of pay periods for premium per pay period. Enter on H0ZDC	$\$486.24 \div 24 = \20.26

Deduction Overrides

In some cases, overrides are necessary to ensure the appropriate group life charge is made or to collect premium adjustments for optional group life. For example, when an employee receives some type of special pay such as workers compensation or VSDP payments, premiums for group life may be under-charged by CIPPS. The deduction override process allows one-time adjustments to the employee masterfile record to make necessary adjustments. Refer to CAPP Topic 50605, *Tax and Deduction Override* for procedures.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Imputed Life

Introduction For group insurance, imputed life is the value of group life coverage in excess of \$50,000.

Tax Implications Imputed life is subject to FICA (OASDI and HI) tax. Although federal and state income taxes are not withheld, imputed life is reported as taxable federal and state income on Form W-2. The taxable value is determined using the IRS Uniform Premium Cost Table, commonly referred to as Table 1. The table quotes a value per \$1,000 of coverage in excess of \$50,000 based on the age of the employee as of December 31 of the current calendar year.

Employee Age at Year-end	Uniform Premium Cost Rate
Under 25	\$0.05
25-29	\$0.06
30-34	\$0.08
35-39	\$0.09
40-44	\$0.10
45-49	\$0.15
50-54	\$0.23
55-59	\$0.43
60-64	\$0.66
65-69	\$1.27
70 and above	\$2.06

CIPPS Automatic Processing CIPPS automatically processes and withholds FICA tax for imputed life on the first pay period of each month using the applicable Table 1 values based on the employee's age as of December 31 of the current calendar year and the imputed life amount entered on H10AS. If the employee salary changes mid-month and the updated imputed life amount is entered on H10AS, CIPPS will self-adjust the imputed life income and the corresponding FICA tax in the second pay period of the month.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Imputed Life, Continued

Imputed Life Calculation

The imputed life amount entered on H10AS as a Special pay must be manually calculated. In the example that follows, annual salary is \$25,023:

Step	Action	Example
1	Round annual salary up to next \$1,000 and multiply by 2	\$26,000 x 2 = \$52,000
2	Divide Step 1 result by 100	\$52,000 ÷ 100 = 520.00
3	Enter this amount on H10AS	520.00

Imputed Life Entry in CIPPS

Complete the command line as reference in CAPP Topic No. 50110, *CIPPS Navigation*, and enter the following information.

The screenshot shows the 'Sna - EXTRA! Personal Client' window. The main form is titled 'H10AS' and contains the following information:

- Company: 00230
- Employee Number: 1111111600
- Name: FRANK F FOX
- Form Title: -----EMPLOYEE AUTOMATIC SPECIAL PAY-----

NO	NAME	CALC	HOURS	CHK	TAX	DED	RATE/AMT	FREQ	LAB	CD
014	IMPLIFE	09	.00	0	2	0	520.00	09	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	
000		00	.00	0	0	0	.00	00	00	

09/24/04 14:09:53 1 M3LL CIDL

NUM 2:09 PM

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Imputed Life, Continued

NO Enter '014' in the No. field to establish Special Pay 014 on the employee's masterfile record.

NAME These fields are displayed by the system when the screen is complete.
CALC

HOURS These fields are not used in the imputed life calculation.
CHK IND

TAX DESC Enter a "2". This value indicates that taxes are not paid on this amount, but the amount is added to the employee's taxable fields.

DED DESC Leave zero.

RATE AMT Enter the imputed life amount.

FREQ Enter "09". This indicates that the employee is to be paid this special payment every payday.

LAB CD Not Used.

Incorrect Imputed Life

To help identify imputed life errors, request Report 852, Automatic Special Pay 14 – Incorrect Imputed Life amount for active, salaried employees. This report identifies employees who have differences between their calculated Imputed Life rate and their actual H10AS rate. All entries should be investigated and necessary corrective action taken. Common causes and recommended corrective action for records listed on this report follows:

If...	Then...
No birth date – indicated by "X" in BD column,	Enter employee's birth date on H0BID.
No difference listed and birth date is entered properly,	Check H10AS frequency for SP#014 – should be "09"
	Check H10AS Tax descriptor for SP#014 – should be "2"
Calculated Rate/Amt is overstated due to "cents" in annual salary field (i.e., \$37,000.16),	Change H0BID "Annual Salary" field to the actual even dollar amount. This will override the semi-monthly rate times 24 calculation.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Imputed Life, Continued

If...	Then...
Difference caused by 9 month/18 pay faculty,	Report 852 assumes all employees are paid 24 semi-monthly payments. These are valid differences. Note that manual overrides and/or adjustments may be necessary to ensure 9/18 faculty are taxed on the full value of their group life policies for an entire year.

YTD Adjustments

Correcting the employee masterfile only corrects the imputed life calculations of current and future months. Imputed life calculated in error for prior quarter/months must be manually re-calculated and YTD Gross and Special Pay 14 amounts corrected through payroll, using manual pay sets on HTMM1 or HTPSA. See CAPP Topic No. 50705, *Employee and Tax Masterfile Updates*, for more information.

Calculations to Correct Erroneous Imputed Life Amounts

It may be necessary in certain circumstances (i.e., absence of birth date on H0BID, erroneous amount entered on H10AS) to correct the imputed life amount. In these instances, additional manual calculations must be performed using IRS Table 1 values to determine the value per \$1,000 of life insurance in excess of \$50,000 for one month.

In the example that follows, the employee is age 56, annual salary of \$25,023, with no optional life coverage:

Step	Action	Example
1	Round annual salary up to next \$1,000 and multiply by 2	$\$26,000 \times 2 = \$52,000$
2	Subtract \$50,000 from Step 1 result	$\$52,000 - \$50,000 = \$2,000$
3	Divide Step 2 result by \$1,000	$\$2,000 \div \$1,000 = 2$
4	Multiply Step 3 result by the applicable Table 1 value based on the employee's age as of the end of the current calendar year.	$2 \times \$0.43 = \0.86 per month

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Imputed Life, Continued

The monthly imputed life value must be applied to every month requiring adjustment. If a salary rate change occurred during the period of time to be adjusted, a separate value must be calculated for each salary rate. Then the monthly value must be multiplied by the number of months at each salary rate to determine the imputed life value for the entire time period.

HTPSA

Make adjustments to imputed life amounts by accessing HTPSA using routine CIPPS navigation and complete the following transaction lines:

503 Line

CK NO.

Enter the agency referenced check number.

CHK DT

Enter the pay period and check date being affected by the adjustment.

BEG DT

END DT

+/-

Enter a '+' or '-' depending the type of adjustment.

INDICATOR

Q/Y

Enter a 'Y' indicating the adjustment is made to year-to-date totals.

INDICATOR

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Imputed Life, Continued

HTPSA, continued

500 Line	GROSS	Enter the amount of the adjustment.
	+/- INDICATOR	Enter a '+' or '-' depending the type of adjustment.
	Q/Y INDICATOR	Enter a 'Y' indicating the adjustment is made to year-to-date totals.
600 Line	PAY	Enter a '014' indicating an adjustment to the imputed life special pay.
	SP PAY AMOUNT	Enter the amount of the special pay adjustment.
	+/- INDICATOR	Enter a '+' or '-' depending the type of adjustment.
	Q/Y INDICATOR	Enter a 'Y' indicating the adjustment is made to year-to-date totals.

Note: Batch balancing occurs at the bottom of the screen. TOTAL PAYS should equal GROSS. The employee needs to receive regular pay in order for FICA to be self-adjusting. Refer to CAPP Topic 50700, *Employee and Tax Masterfile Updates*, for additional information.

Termination Guidelines

Terminating Employee Deductions	Under VRS guidelines, when an employee terminates mid-month, group life premiums may be paid for the entire final month. Optional life premiums must be collected for the entire final month. Use deduction overrides. Refer to CAPP Topics 50320, <i>Terminations</i> , and 50605, <i>Tax and Deduction Overrides</i> , for additional information.
--	--

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

VRS Group Life Reconciliation

Group Life VRS Reconciliation

To ensure employee premiums are accurately reported to VRS agencies, are required to reconcile group life insurance deductions with VRS and resolve any discrepancies monthly. Agencies use the following monthly CIPPS and VRS reports to perform the reconciliation:

Report	System	Description
U016, VRS Contribution Worksheet	CIPPS	Used to verify that all eligible employees are being reported properly for group life plans – Compare with VRS-50 Report.
U044, VRS Discrepancy Report	CIPPS	Produced only when the agency has a void check or the Creditable Compensation, Base Life, or Health Care Creditable Compensation times the effective rate does not equal contributions reported. Lists employees with differences that may require research.
U046, Company Summary of Retirement Deduction Errors	CIPPS	Error listing that may indicate potential reporting problems.
Report VRS-50, Statement of Account	VRS	Reports contributions received and the monthly payroll reports processed during the past month. This report identifies differences between contributions and payroll data processed. Provides a record of adjustments received and processed. Gives the employer another source to use in reconciling accounts and activity.
Membership Report (VRS-1500)	VRS	Use to report salary changes, to add or drop a member or to place a member on leave without pay.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

VRS Group Life Reconciliation, Continued

Group Life VRS Reconciliation, continued

Report	System	Description
Monthly Membership Statement (VRS-1500R)	VRS	Summarizes the changes VRS made to the original report and the resulting monthly totals.
Interim Membership Statement (VRS-1500I)	VRS	Summarizes the changes VRS made to the original report and includes a VRS Suspense List for members that requiring correction.

VRS Monthly Reconciliation Process

Activity for the reconciliation period is entered on the Reconciliation Worksheet developed by VRS. The worksheet is divided into three parts described below. Agencies complete the Reconciliation Worksheet utilizing the reports listed above. Reference the VRS Employer Payroll Manual for more information on the monthly reconciliation process and for a copy of the Reconciliation Worksheet.

Part	Description
A	CARS expenditure transactions for VRS contributions are reconciled to Monthly Contribution Worksheet (U016). The VRS Discrepancy Report (U044) and the Company Summary of Retirement Deduction Error (U046) should also be reviewed for an explanation of discrepancies existing between amount paid and the amount due.
B	From the Statement of Accounts (VRS-50), list those transactions for the month being reconciled. This will assist the agency in identifying discrepancies for the current reporting period. A Membership Report (VRS-1500) should be completed for any changes not reflected on the VRS-50 for the reconciliation month.
C	Once the agency receives a “cleared” VRS-1500R, Part C is completed. This section of the worksheet identifies the total amount of the adjustment to bring the agency account into balance for the reporting period. An IAT for the adjustment amount must be prepared and forwarded to VRS, along with a copy of the reconciliation worksheet to adjust VRS records.

Volume No. 1—Policies and Procedures	TOPIC NO. 50425
Function No. 50000—Payroll Accounting	TOPIC GROUP and OPTIONAL LIFE INSURANCE
Section No. 50400—Deductions	DATE October 2004

Internal Control

Internal Control

Agencies must ensure group and optional group life plan deductions are established properly in CIPPS. A monthly reconciliation of group life contributions must be performed and any adjustments to correct employee records performed timely. Maintain employee enrollment information and any supporting documentation for audit purposes.

Records Retention

Time Period

Retain payroll records for five years or until audited, whichever is later.

Contacts

DOA Contact

Manager, State Payroll Operations
Voice: (804) 225-2245
E-mail: Payroll@doa.virginia.gov

Payroll Business Analyst/Trainer
Voice: (804) 225-3120 or (804) 225-3079
E-mail: Payroll@doa.virginia.gov

Subject Cross References

References

CAPP Topic 50110, *CIPPS Navigation*
CAPP Topic 50410, *Retirement – VRS and ORP*
CAPP Topic 50520, *Workers' Compensation Non VSDP*
CAPP Topic 50525, *Virginia Sickness and Disability Program*
CAPP Topic 50705, *Employee and Tax Masterfile Update*